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10 Attorneys for Defendants
11 APPLIED SIGNAL TECHNOLOGY, INC., GARY
YANCEY and JAMES DOYLE

12 || UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

14 IN RE APPLIED SIGNAL
15 TECHNOLOGY, INC. SECURITIES
LITIGATION

Master File No. C 05-1027 (SBA)
Consolidated Action

CLASS ACTION

**DEFENDANTS' ANSWER TO
CONSOLIDATED AMENDED CLASS
ACTION COMPLAINT**

DEMAND FOR JURY TRIAL

20 This Document Relates To:
ALL ACTIONS

1 Defendants Applied Signal Technology, Inc. (“Applied Signal”), Gary Yancey
 2 (“Yancey”), and James Doyle (“Doyle”) (collectively, “Defendants”) hereby answer the
 3 Consolidated Amended Class Action Complaint (“Complaint”) as follows. Paragraph numbers in
 4 this document correspond to the paragraph numbers of the Complaint and respond to the
 5 allegations of that paragraph, up to the Affirmative Defenses section of this document. For each
 6 paragraph, if an allegation is not explicitly admitted, it is denied.

7 1. Defendants admit that this lawsuit is brought on purported behalf of all persons
 8 who purchased common shares of Applied Signal during the Class Period, as defined in the
 9 Complaint, under the statutes set forth in the paragraph. Defendants deny the remaining
 10 allegations of this paragraph.

11 2. Defendants admit that this lawsuit is asserted under the statute and rule referenced
 12 in Paragraph 2 of the Complaint. Defendants deny the remaining allegations of this paragraph.

13 3. Defendants admit that subject matter jurisdiction in this lawsuit is asserted under
 14 the statutes referenced in Paragraph 3 of the Complaint. Defendants deny the remaining
 15 allegations of this paragraph.

16 4. Defendants admit that venue is proper in this District, in that Applied Signal has its
 17 principal executive offices in this District. Defendants deny the remaining allegations of this
 18 paragraph.

19 5. Defendants admit that they (or some of them) used the means of interstate
 20 commerce to undertake some of the actions alleged in the Complaint. Defendants deny the
 21 remaining allegations of Paragraph 5.

22 6. Defendants lack knowledge or information sufficient to form a belief as to the
 23 truth of the allegations of this paragraph regarding Plaintiff’s purchases of common stock, and on
 24 that basis deny them. Defendants deny the remaining allegations of this paragraph.

25 7. Admitted.

26 8. Defendants admit that Yancey was, during the purported Class Period, the
 27 Chairman, President, and Chief Executive Officer of Applied Signal. Defendants admit that
 28 Yancey certified all SEC quarterly or annual reports for the purported Class Period, and signed an

1 annual report. Defendants admit that Yancey sold 141,400 shares of Applied Signal stock during
 2 the period from January 3, 2005 through January 18, 2005, and that this represented over forty
 3 percent of his personal holdings in common stock prior to the sales, exclusive of options.
 4 Defendants admit that these sales preceded the close of Applied Signal's quarter ending January
 5 31, 2005. Defendants deny the remaining allegations of this Paragraph 8.

6 9. Defendants admit that Doyle was, during the purported Class Period, the Chief
 7 Financial Officer and Vice President of Finance of Applied Signal. Defendants admit that Doyle
 8 signed and certified all SEC quarterly and annual reports for the purported Class Period.
 9 Defendants deny the remaining allegations of Paragraph 9.

10 10. Defendants admit that Yancey and Doyle participated in the management of
 11 Applied Signal, and were involved in the day-to-day operations of the company during the
 12 purported Class Period. Defendants deny the remaining allegations of Paragraph 10.

13 11. Defendants admit that Yancey and Doyle were officers of Applied Signal during
 14 the purported Class Period. Defendants admit that Yancey was a director of Applied Signal
 15 during the purported Class Period. Defendants admit that Applied Signal's common stock was
 16 registered with the SEC and traded on the NASDAQ National Market. The scope of any duties
 17 Yancey and Doyle may have owed under the federal securities laws is a conclusion of law to
 18 which an answer need not be given. Defendants deny the remaining allegations of Paragraph 11.

19 12. Denied.

20 13. Defendants admit that Yancey and Doyle, who were officers of Applied Signal,
 21 were privy to certain confidential proprietary information concerning Applied Signal and its
 22 business, operations, prospects, growth, finances, and financial condition. Defendants deny the
 23 remaining allegations of Paragraph 13.

24 14. Defendants admit that plaintiffs bring this lawsuit as a class action under the
 25 Federal Rules of Civil Procedure referenced in Paragraph 14 and on purported behalf of the Class.
 26 Defendants deny the remaining allegations of Paragraph 14.

27 15. Defendants admit that as of July 29, 2005 (the closest date to the filing of the
 28 Complaint for which Applied Signal reported shares outstanding), Applied Signal had over 11

1 million shares of common stock outstanding. Defendants deny that a Class as described in this
2 paragraph exists. Defendants lack knowledge or information sufficient to form a belief as to the
3 truth of the remaining allegations of this paragraph, and on that basis deny them.

4 16. Defendants deny that a Class as described in Paragraph 16 exists. Defendants lack
5 knowledge or information sufficient to form a belief as to the truth of the allegations of this
6 paragraph, and on that basis deny them.

7 17. Denied.

8 18. Defendants deny that a Class as described in this paragraph exists. Defendants
9 lack knowledge or information sufficient to form a belief as to the truth of the allegations of this
10 paragraph, and on that basis deny them.

11 19. Defendants deny that a Class as described in this paragraph exists. Defendants
12 lack knowledge or information sufficient to form a belief as to the truth of the allegations of this
13 paragraph, and on that basis deny them.

14 20. Defendants lack knowledge or information sufficient to form a belief as to the
15 efficiency of the market for the stock of Applied Signal, and on that basis deny those allegations.
16 Defendants admit that Applied Signal's stock was listed and traded on the NASDAQ. Defendants
17 admit that Applied Signal was a regulated issuer and filed periodic reports with the SEC.
18 Defendants admit that Applied was followed by securities analysts, had market makers, and was
19 eligible to file SEC registration form S-3. Defendants deny the remaining allegations of
20 Paragraph 20.

21 21. Denied.

22 22. Paragraph 22 contains Plaintiff's representations and allegations regarding the
23 "results" of "interviews" he or his lawyers had with alleged former employees of Applied Signal.
24 Defendants lack knowledge or information sufficient to form a belief as to the truth of such
25 representations and allegations, and on that basis deny them.

26 23. Defendants admit that Applied Signal issued a Form 10-K for the fiscal year
27 ending October 31, 2004 dated January 14, 2005, which speaks for itself as to its contents.

28 24. Defendants admit that from Applied Signal's founding in 1984 until the filing of

1 the Complaint, the U.S. government has accounted for almost all of Applied Signal's revenues.
2 Defendants admit that in fiscal year 2004, two non-military U.S. intelligence agencies accounted
3 for 80% of the company's revenue, and the U.S. military accounted for the rest. Defendants
4 admit that in fiscal year 2004, one of these two intelligence agencies alone generated over half of
5 the Company's revenues. Defendants admit that Applied Signal reported that its largest single
6 contract accounted for 20 percent of revenues for fiscal year 2004.

7 25. Defendants admit that in the two fiscal years prior to the filing of the Complaint,
8 just under three quarters of Applied Signal's contracts were "cost-reimbursement" contracts,
9 including contracts for the design, installation, and/or servicing of customized products.
10 Defendants refer to the "Contracts" subsection of the Form 10-K filed January 14, 2005, for a
11 description of the manner in which revenue is recognized on its cost-reimbursement contracts,
12 which is more nuanced and detailed than the description set forth in the second and third
13 sentences of Paragraph 25 of the Complaint. Hence, Defendants admit that the majority of
14 Applied Signal's contracts were accounted for in accordance with the American Institute of
15 Certified Public Accountants Statement of Opinion 81-1, *Accounting for Performance of*
16 *Construction-Type and Production-Type Contracts*. Applied Signal accounted for cost-
17 reimbursement contracts by charging actual labor, materials, and other direct costs, plus estimated
18 indirect costs of operations as incurred (incurred costs). Indirect costs included overhead,
19 research and development, and general and administrative expenses. General and administrative
20 costs were not applied to certain subcontract costs associated with Applied Signal's cost-
21 reimbursement contracts. These subcontracts must be in excess of \$250,000 and meet certain
22 other predetermined criteria. Applied Signal recognized contract revenues and profits on cost-
23 reimbursement contracts by applying an estimated fee rate to all incurred costs on an individual
24 contract basis. Fee calculations were based on either negotiated fee amounts or management's
25 assessment of the fee amounts that are likely to be earned. Applied Signal's policy for
26 recognizing interim award fees on its cost-plus-award-fee contracts was based on management's
27 assessment as to the likelihood that the award fee or an incremental portion thereof will be
28 earned, on a contract-by-contract basis. Management's assessments were based on numerous

1 factors including: contract terms, nature of the work to be performed, Applied Signal's
 2 relationship and history with the customer, Applied Signal's history with similar types of projects,
 3 and Applied Signal's current and anticipated performance on the specific contract. No award fee
 4 was recognized in whole or in part until management determined that it is probable that the award
 5 fee or portion thereof will be earned. Applied Signal's engineering services contracts were
 6 typically performed on a level-of-effort basis. Revenue was recognized in accordance with
 7 Applied Signal's policy regarding cost-reimbursement contracts. Defendants deny the remaining
 8 allegations of Paragraph 25.

9 26. Defendants admit that Applied Signal reported in some of its press releases,
 10 conference calls, and SEC filings, amounts that it identified as "backlog," which Applied signal
 11 defined as future revenues from the uncompleted portions of existing contracts. Defendants
 12 admit that Applied Signal issued a Form 10-K for the fiscal year ending October 31, 2004 dated
 13 January 14, 2005, and that the document speaks for itself as to its contents. Defendants deny the
 14 remaining allegations of Paragraph 26.

15 27. Defendants admit that Applied Signal issued SEC filings and public statements in
 16 the form of press releases during January 2004 through January 2005, the contents of which speak
 17 for themselves. The remaining allegations of this paragraph relate to claims and allegations
 18 dismissed by the District Court and not pursued by Plaintiffs on appeal, and hence no answer is
 19 required.

20 28. Defendants admit that Applied Signal issued a press release on August 24, 2004,
 21 which speaks for itself as to its contents. Defendants admit that Applied Signal held a conference
 22 call on August 24, 2004 concerning, *inter alia*, the company's financial results for the quarter
 23 ending July 30, 2004. Defendants admit that in this conference call, Yancey and Doyle spoke on
 24 behalf of Applied Signal. Defendants admit that in the course of this conference call, Doyle
 25 answered a question by stating that the company's backlog was approximately \$111 million.

26 29. Defendants admit that Applied Signal issued a Form 10-Q for the quarter ending
 27 July 31, 2004 dated September 9, 2004, which speaks for itself as to its contents. Defendants
 28 deny the remaining allegations of the unlettered portions of Paragraph 29.

1 a. Defendants admit that Applied Signal issued a Form 10-Q for the quarter
 2 ending July 31, 2004 dated September 9, 2004, which speaks for itself as to its contents.

3 Defendants deny the remaining allegations of sub-paragraph a. of Paragraph 29.

4 b. Defendants admit that Applied issued a Form 10-K for the fiscal year
 5 ending October 31, 2004 dated January 14, 2005, which speaks for itself as to its contents.

6 Defendants deny the remaining allegations of sub-paragraph b to Paragraph 29.

7 c. Admitted.

8 30. Denied.

9 a. Defendants lack knowledge or information sufficient to form a belief as to
 10 the truth of the allegations regarding CW-1's identity and what that person said, and on that basis
 11 deny these allegations. Defendants admit that Cowbird was a contract for the U.S. military.
 12 Defendants deny the remaining allegations of this sub-paragraph.

13 b. Defendants lack knowledge or information sufficient to form a belief as to
 14 the truth of the allegations regarding CW-2's identity and what that person said, and on that basis
 15 deny these allegations. Defendants admit that Cowbird was a contract for the U.S. military.
 16 Defendants admit that as of late May or early June 2004, the Cowbird contract value (which is not
 17 the same as the amount remaining on the contract) was approximately \$8.6 million. Defendants
 18 deny the remaining allegations of this sub-paragraph.

19 c. Defendants admit that they signed Exhibits to Applied Signal's Form 10-Q
 20 for the third quarter 2004 dated September 9, 2004, that were certifications pursuant to Section
 21 906 of the Sarbanes-Oxley Act which stated, *inter alia*, that to each person's knowledge,
 22 "information contained in [this] Report fairly presents, in all material respects, the financial
 23 condition and result of operations of the Company." Defendants admit that Doyle signed the
 24 Form 10-Q. Defendants deny the remaining allegations of this sub-paragraph.

25 31. Defendants admit that Applied Signal filed a Form 10-Q for the third quarter 2004
 26 on Thursday, September 9, 2004. Defendants admit that on Monday, September 13, 2004,
 27 analyst Stephen E. Levenson of Advest issued a report, the contents of which speak for
 28 themselves. Defendants admit that Levenson's report stated that Advest had changed its rating of

1 Applied Signal's stock from "buy" to "neutral." Defendants admit that the reported price per
2 share of Applied Signal's stock on September 13, 2004, was \$36.00 when the market opened and
3 \$34.31 at the close. Defendants admit that the reported price per share of Applied Signal stock
4 was \$31.78 per share by the close of the market on September 15, 2004. Defendants deny the
5 remaining allegations of this paragraph.

6 32. Defendants deny the existence of Stop Work Order No. 2 described in the
7 Complaint, and deny Plaintiff's implicit allegation that there was an impact of Stop Order No. 2
8 on revenues for fiscal year 2004.

9 33. Defendants admit that Applied Signal issued a press release on December 21,
10 2004, which speaks for itself as to its contents. Defendants admit that Applied Signal held a
11 conference call on December 21, 2004 concerning, *inter alia*, the company's financial results for
12 the fourth quarter and fiscal year that ended October 31, 2004. Defendants admit that in this
13 conference call, Yancey and Doyle spoke on behalf of Applied Signal. Defendants admit that in
14 the press release and the conference call, Applied Signal stated that backlog as of the end of the
15 fourth quarter of fiscal year 2004 was \$143 million. Defendants admit that in the press release
16 and during the conference call, Applied Signal noted that new orders and backlog were expected
17 to be reduced by approximately \$11 to \$13 million when the company completed negotiations on
18 a stop-work order related to a portion of its largest contract. Defendants deny the remaining
19 allegations of Paragraph 33.

20 34. Defendants admit that they signed Exhibits to Applied Signal's Form 10-K for the
21 fiscal year 2004 filed January 14, 2005, that were certifications pursuant to Section 906 of the
22 Sarbanes-Oxley Act which stated, *inter alia*, that to each person's knowledge, "information
23 contained in [this] Report fairly presents, in all material respects, the financial condition and
24 result of operations of the Company." Defendants admit that Yancey signed the Form 10-K.
25 Defendants admit that in the Form 10-K, Applied Signal stated that backlog as of the end of the
26 fourth quarter of fiscal year 2004 was \$143,369,000. Defendants admit that Applied Signal noted
27 that new orders and backlog were expected to be reduced by approximately \$11 to \$13 million
28 when the company completed negotiations on a stop-work order related to a portion of its largest

1 contract. Defendants deny the remaining allegations of this paragraph.

2 35. Denied.

3 a. Defendants deny that there was a Stop Work Order No. 2 as described in
 4 the complaint and deny Plaintiff's implicit assumption that there was a "likely impact" to the
 5 alleged Stop Work Order No. 2.

6 b. Defendants lack knowledge or information sufficient to form a belief as to
 7 the truth of the allegations regarding CW-3's and CW-4's identities and what those persons
 8 "indicated" or "confirmed" to Plaintiff or his attorneys, and on that basis deny these allegations.
 9 Defendants admit that the Excelsior contract value (which is not the same as the amount
 10 remaining on the contract) was over \$20 million, and that a stop work order relative to the
 11 Excelsior contract was received in August 2004. Defendants deny the remaining allegations of
 12 sub-paragraph b of Paragraph 35.

13 c. Defendants lack knowledge or information sufficient to form a belief as to
 14 the truth of the allegations regarding CW-3's identity and what that person indicated to Plaintiff
 15 or his attorneys, and on that basis deny those allegations. Defendants deny the remaining
 16 allegations of sub-paragraph c of Paragraph 35.

17 36. Defendants admit that Applied Signal filed a Form 10-K for the fiscal year ending
 18 October 31, 2004 dated January 14, 2005, which speaks for itself as to its contents. Defendants
 19 deny the remaining allegations of paragraph 36.

20 37. The allegations of this paragraph relate to claims and allegations dismissed by the
 21 District Court and not pursued by Plaintiffs on appeal, and hence no answer is required.

22 38. The allegations of this paragraph relate to claims and allegations dismissed by the
 23 District Court and not pursued by Plaintiffs on appeal, and hence no answer is required.

24 39. The allegations of this paragraph relate to claims and allegations dismissed by the
 25 District Court and not pursued by Plaintiffs on appeal, and hence no answer is required.

26 40. The allegations of this paragraph relate to claims and allegations dismissed by the
 27 District Court and not pursued by Plaintiffs on appeal, and hence no answer is required.

28 41. Denied.

1 42. Defendants admit that Applied Signal issued a press release on December 21,
 2 2004, which speaks for itself as to its contents. Defendants lack knowledge or information
 3 sufficient to form a belief as to the truth of the allegations regarding consensus estimates of the
 4 Thompson (*sic*) Financial survey, and on those basis deny those allegations. Defendants admit
 5 that only once in the six months preceding December 21, 2004, had the reported trading volume
 6 of Applied Signal stock exceeded 1 million shares in a day, and that at no other time had the
 7 reported trading volume exceeded 600,000 shares in a day. Defendants deny the remaining
 8 allegations of Paragraph 42.

9 43. Defendants lack knowledge or information sufficient to form a belief as to the
 10 truth of the allegations regarding CW-1's and CW-3's identities and what those persons said to
 11 plaintiff or his lawyers, and on that basis deny these allegations. Defendants deny the remaining
 12 allegations of this Paragraph 43.

13 44. Defendants admit that Applied Signal issued a press release on February 22, 2005,
 14 which speaks for itself as to its contents. Defendants admit that on February 22, 2005, Applied
 15 Signal held a conference call concerning, *inter alia*, the Company's financial results for the first
 16 quarter of 2005, which ended on January 31, 2005. Defendants admit that during the press
 17 release and conference call, Yancey attributed Applied Signal's financial results to being a bit
 18 behind on execution of contracts, partially due to diverting some labor resources to proposal
 19 activity. Defendants deny the remaining allegations of Paragraph 44.

20 45. Defendants admit that the reported trading volume of Applied Signal stock on
 21 February 23, 2005 was over 6 million shares. Defendants admit that the reported closing price of
 22 Applied Signal stock on February 22, 2005 was \$27.52 per share. Defendants admit that the
 23 reported closing price of Applied Signal stock on February 23, 2005 was \$23.24 per share.
 24 Defendants lack knowledge or information sufficient to form a belief as to the truth of the
 25 remaining allegations in Paragraph 45, and on that basis deny them.

26 46. Denied.

27 47. Defendants admit that the reported closing price of Applied Signal stock on
 28 December 21, 2004 was \$37.22 per share. Defendants admit that the reported closing price of

1 Applied Signal stock on February 23, 2005 was \$23.24 per share. Defendants deny the remaining
2 allegations of Paragraph 47.

3 48. Defendant Yancey admits that he sold no stock during the calendar year 2004.
4 Yancey admits that he sold 141,400 shares of Applied Signal common stock from January 3,
5 2005 through January 18, 2005, which represented over 43 percent of his total stock holdings in
6 Applied Signal exclusive of options, and at prices ranging from \$31.40 to \$34 per share. Yancey
7 admits that the gross proceeds of these stock sales was approximately \$4.6 million. Yancey
8 denies the remaining allegations of this paragraph. Defendants Applied Signal and James Doyle
9 lack information sufficient to form a belief as to the truth of the allegations of Paragraph 48 and
10 on that basis deny the allegations of Paragraph 48.

11 49. Yancey admits that his stock sales on January 3, 2005 through January 18, 2005
12 preceded the close of Applied Signal's first quarter (January 31, 2005). Yancey denies the
13 remaining allegations of this paragraph. Defendants Applied Signal and James Doyle lack
14 information sufficient to form a belief as to the truth of the allegations of Paragraph 49 and on
15 that basis deny the allegations of Paragraph 49.

16 50. Denied.

17 51. Defendants incorporate by reference their responses to each and every foregoing
18 paragraph.

19 52. Defendants repeat their responses to each and every allegation contained above as
20 if fully set forth herein.

21 53. Denied.

22 54. Denied.

23 55. Denied.

24 56. Denied.

25 57. Denied.

26 58. Denied.

27 59. Denied.

28 60. Defendants lack knowledge or information sufficient to form a belief as to

1 allegations of this paragraph regarding Plaintiff's hypothetical non-purchases of Applied Signal
 2 securities, and on that basis deny them. Defendants deny the remaining allegations of Paragraph
 3 60.

4 61. Denied.

5 62. Denied.

6 63. Denied.

7 64. Defendants repeat their responses to each and every allegation contained above as
 8 if fully set forth herein.

9 65. Denied.

10 66. Defendants admit that Yancey and Doyle had direct and supervisory involvement
 11 in certain day-to-day operations of Applied Signal. Defendants deny the remaining allegations of
 12 this paragraph.

13 67. Denied.

14 68. Defendants admit that Plaintiff demands a trial by jury on all issues.

15 **AFFIRMATIVE DEFENSES**

16 As separate affirmative defenses, Defendants state as follows:

17 **FIRST AFFIRMATIVE DEFENSE**

18 The Complaint fails to state facts sufficient to state a claim for which relief can be
 19 granted.

20 **SECOND AFFIRMATIVE DEFENSE**

21 Defendants acted in good faith with respect to all matters alleged in the Complaint, and
 22 did not directly or indirectly induce any act or acts constituting a violation of or cause of action
 23 based on Section 10(b) of the Exchange Act and the accompanying Rule 10b-5.

24 **THIRD AFFIRMATIVE DEFENSE**

25 Plaintiff and members of the putative Class are estopped from asserting their claims.

26 **FOURTH AFFIRMATIVE DEFENSE**

27 Plaintiff and members of the putative Class waived their claims.

FIFTH AFFIRMATIVE DEFENSE

2 Plaintiff and members of the putative Class failed to take reasonable steps to mitigate or
 3 minimize their damages.

SIXTH AFFIRMATIVE DEFENSE

5 Plaintiff and members of the putative Class purchased Applied Signal securities in
 6 reliance on factors other than the misrepresentations or omissions alleged in the Complaint,
 7 and/or in reliance on factors other than the efficient market.

SEVENTH AFFIRMATIVE DEFENSE

9 Some or all of the alleged misrepresentations and omissions were known to Plaintiff, or
 10 some members of the putative Class, and knowledge of the alleged misrepresentations or
 11 omissions would not have affected their decisions to purchase Applied Signal's securities.

EIGHTH AFFIRMATIVE DEFENSE

13 The first prong of the Safe Harbor precludes liability for claims based on forward-looking
 14 statements if the requirements of the statute are met. To the extent a court may conclude that it is
 15 a defendant's burden to prove that the requirements have been met, Defendants assert as an
 16 affirmative defense that the first prong of the Safe Harbor precludes liability for claims based on
 17 the forward-looking statements alleged in the Complaint.

NINTH AFFIRMATIVE DEFENSE

19 Loss causation is an element of plaintiffs' claims. 15 U.S.C. § 78u-4(b)(4); *Dura*
 20 *Pharmaceuticals, Inc. v. Broudo*, 125 U.S. 1627 (2005). To the extent a court may conclude that
 21 it is a defendant's burden to prove that some of plaintiff's economic losses were caused by factors
 22 other than the misrepresentations or omissions alleged in the Complaint – a proposition with
 23 which Defendants disagree – Defendants assert as an affirmative defense that Plaintiff's
 24 economic losses were caused by factors other than the misrepresentations or omissions alleged in
 25 the Complaint.

TENTH AFFIRMATIVE DEFENSE

27 Defendants have insufficient knowledge or information upon which to form a belief
 28 whether he may have additional affirmative defenses. Defendants accordingly reserve the right to

1 assert additional defenses in the event discovery indicates such additional affirmative defenses are
2 appropriate.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, Defendants pray for relief and judgment as set forth below.

5 1. For judgment in their favor;
6 2. That Plaintiff takes nothing by means of their Complaint;
7 3. For their costs of this litigation; and
8 4. For such other and further relief as the Court deems just and proper.

9 Respectfully submitted,

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11 Dated: July 30, 2008

DLA PIPER US LLP

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By: /s/ David Priebe

13

DAVID PRIEBE

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Attorneys for Defendants

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APPLIED SIGNAL TECHNOLOGY, INC.,
GARY YANCEY and JAMES DOYLE

16

DEMAND FOR JURY TRIAL

17

Defendants demand a trial by jury.

18

Respectfully submitted,

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Dated: July 30, 2008

DLA PIPER US LLP

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By /s/ David Priebe

21

DAVID PRIEBE

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Attorneys for Defendants

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APPLIED SIGNAL TECHNOLOGY, INC.,

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GARY YANCEY and JAMES DOYLE

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